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FIRST COUNTRY COOPERATION FRAMEWORK FOR URUGUAY (1997-1999)

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INTRODUCTION

1. The present cooperation framework for Uruguay, the outcome of a process of extensive consultations between the Government and UNDP, specifies the approach, priority spheres, activities, modalities of action and amounts of resources to be allocated to UNDP activities for the period 1997-1999.

2. As in the case of the fifth cycle (1992-1996), the preparation of the cooperation framework began with the presentation to the government authorities of a UNDP advisory note which included its diagnosis of the national development situation, an evaluation of the results of the fifth country programme, the general strategy for UNDP cooperation with Uruguay, a proposal for future spheres of action and the management arrangements needed for better execution of the 1997-1999 programme.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. Since the end of the nineteenth century, the Uruguayan State has taken an active leadership role in respect of social policies at the national level. Uruguay's socio-economic development has made possible the emergence of large middle-income socio-economic groups with access to the educational, health and social security systems. This access and early urbanization have made Uruguay the most integrated society of Latin America.

4. In the second half of this century, the crisis in the agro-exporting and import-substitution model led to far-reaching changes in the economic and social structures and caused a series of political shocks in the 1960s and 1970s as a result of the inability to find socially acceptable solutions to the emerging problems: inflation, fiscal deficit, decline of investment in production, deterioration in the level of employment and wages, and growing external debt.

5. Following the restoration of democracy in 1985, Uruguay has experienced substantial economic recovery. The average growth rate of 4 per cent recorded between 1985 and 1994 constitutes one of the highest in Latin America, with a corresponding increase in per capita income. The nature of this growth, in the context of the opening up to the outside world and deregulation of the economy, has led to substantial changes in Uruguay's production structure.

6. The Uruguayan industrial sector was severely affected by the opening up of the economy. Other factors, such as the relative appreciation of the national currency in relation to the dollar, along with an increase in industrial productivity, led to a 35-per-cent loss of industrial jobs over the past five years. Dynamic sectors such as agro-industry and some components of the service sector have not generated sufficient demand and their capacity to alleviate the unemployment problem has remained small. Emigration, the traditional safety valve, has been limited by the situation prevailing in the potential countries of destination. Moreover, the fiscal restrictions in force have made it impossible for the State to generate employment to absorb the surplus labour supply, and all of this has caused increased unemployment in recent years.

7. The opening up of the economy and Uruguay's entry into the Mercado Común del Sur (MERCOSUR) have accentuated the need to undertake, not just minor adjustments but structural reforms in order to attract investment, increase Uruguay's foreign competitiveness, institute a sustainable macroeconomic balance and establish levels of reliability which would ensure access under favourable conditions to the international credit markets. Aware of this reality, the Government has undertaken to introduce far-reaching reforms in the State apparatus, the social services, social security, public security and even the institutional political framework (including the Constitution) in order to adapt Uruguay to meet the new regional and world challenges, while maintaining as far as possible the framework of social stability which has characterized Uruguay.

8. After the economic recession which occurred in 1995, growth and the main macroeconomic variables showed a positive trend in 1996. Inflation, measured by the consumer price index, was about 24.3 per cent, a significant decline since 1995 (35 per cent); investment increased substantially compared with 1995, both in industrial undertakings and in infrastructure projects, and in respect of new activities; the average real wage in 1996 remained at 1995 levels, while average real household income showed a slight decline; in the fiscal area, there was an overall deficit of about 1.7 per cent of GDP in 1996, similar to 1995; with regard to the external sector, the deficit on the current account was amply financed with the influx of capital from abroad, as a result of which there was a further increase in foreign currency reserves.

9. On the basis of the measures adopted by the Government, the international situation and the 1996 results, it is possible to forecast a growth in GDP of some 3 per cent in 1997, and a greater reduction in the inflation rate, to between about 14 and 17 per cent, with a similar variation in exchange rates. In general, the prospects of the Uruguayan economy are for consolidation of the recovery begun in 1996, even though employment and the fiscal balance in the medium and long term are still areas which need attention.

10. According to the Human Development Report, 1996, Uruguay is one of the Latin American countries with the highest indicators: the literacy rate is 95 per cent; average life expectancy is 72 years; the infant mortality rate has declined to about 17 per 1,000. Women are participating increasingly in all sectors of public life and the economy; there is a similar proportion of boys and girls in primary and secondary education, and an actually higher proportion of women at the university level; the employment rate for women in 1996 was 54 per cent in Montevideo and 48.5 per cent in the urban interior.

11. Despite these achievements, there are still situations which require attention, especially in view of the traditionally high socio-economic levels in Uruguay. Households below the poverty line accounted for 6 per cent of households in Montevideo and 13.1 per cent in the urban interior, according to the index of unmet basic needs drawn up by the National Institute of Statistics on the basis of the ongoing household survey for 1994; the average unemployment rate was 12.3 per cent in Montevideo and 11.4 per cent in the urban interior for the year 1996, but these figures are higher for female unemployment and unemployment among persons between 15 and 24 years of age.

12. In general, there is concern about potential problems which would threaten the levels of social integration. These problems relate to marginalized groups and are accompanied by an increase in civic violence and delinquency resulting from the breakdown of the family structure in marginalized groups and the absence of integrating mechanisms in the school system. Although poverty is not as great as in other countries of the region, it occurs increasingly in situations of marginalization, generating new social ills. The traditional models for the provision of social services and promotion of social mobility and integration, which were designed to deal with totally different problems, are showing great inadequacies in adapting to the new realities. In these circumstances, the redesign of strategies to achieve higher levels of social integration and the formulation of programmes to tackle the new social situation are one of the major challenges facing Uruguayan society.

II. RESULTS AND LESSONS OF PAST COOPERATION

13. During the fifth UNDP programming cycle (1992-1996), action was concentrated on the following thematic areas: investment promotion and conversion of production, reform of the State and modernization of its management, and social policies, corresponding both to the Government's development strategy for this period and to the priorities laid down by the UNDP Governing Council.

14. Resource mobilization and utilization for this programme greatly exceeded initial estimates; approximately 85 per cent of the resources came from the participation of the Government or of other sources of financing. This high proportion reflects the close cooperation between UNDP, the Government and the international financial institutions, and the confidence placed in UNDP because of the flexibility, transparency and professionalism which distinguish it in its support for technical cooperation.

15. The first of the priority areas of the fifth programme, "Investment promotion and conversion of production" had the objective of building confidence and establishing an appropriate framework for promoting investment in production and the development of a dynamic, enterprising, competent national private sector with good connections with the rest of the world. Support was provided to many projects for institutional strengthening in the context of MERCOSUR, conversion of small and medium-sized enterprises, and training of human resources to solve disputes in the business sphere, and also to the implementation of specific projects in the various production sectors.

16. Despite the scope of the action and the success achieved in strengthening institutional capacity and harmonizing ideas, there are still spheres in which it will be necessary to combine national action and international cooperation in order to achieve a better formulation of strategies and a more effective adaptation of the business sector to the phenomenon of globalization.

17. In the area "Reform of the State and modernization of its management", support was given to initiatives for debureaucratization, civic information, training in public management and modernization of the judiciary, and assistance was given to the implementation of the technical cooperation components of

operations financed by third parties relating to reform of the social security system, strengthening of social services and health, and modernization of the central administration. Many projects financed with government resources were executed, such as the labour history project.

18. A great deal of attention was paid to this area of concentration, both in relation to the number of projects and in terms of the impact of the projects at the level of the citizen receiving services provided by the State. Despite these results, not all the objectives which had been set were achieved, and it is expected that it will be necessary to continue some aspects which are still at the execution stage.

19. The third area of concentration, "Social policies", received most of the resources of the fifth cycle. Projects of varying scope and nature were carried out in order to support the reformulation of health, education, employment, justice and social security policies and introduce general social service reforms. Support was also given to projects which involved trying out new forms of association between the public and private sectors for the provision of those services. As in the area of State reform, greater emphasis was placed on institutional action in this sphere.

20. UNDP cooperation also included aspects outside the pre-established areas, including the response of UNDP to the Government's growing interest in environmental protection within the national development strategy. A substantial amount of the resources of UNDP, the Global Environment Facility (GEF) and the Montreal Protocol was used for projects in the area of biological diversity, climate change and protection of the ozone layer, providing effective support to programmes in this sector.

21. In the great majority of projects of the fifth cycle, the national execution modality was used, with very favourable results, both in terms of efficiency in resource utilization and in terms of the achievement of the objectives and the strengthening of counterpart units. In many cases, this modality of execution helped mobilize additional resources. For these reasons, it is proposed that this arrangement should be continued, strengthening the catalytic and integrating role of UNDP in the coordination of international cooperation with Uruguay, using its own resources to support activities which are innovative and have a great impact on the execution of projects within priority areas, in access to international specialists, and in the application of effective and efficient management systems.

III. PROPOSED STRATEGY AND THEMATIC AREAS

22. Since the current programming cycle coincides with the last three years of the term of office of the current Government, this cooperation framework concentrates on the priorities and targets established, the results achieved and the spheres of possible UNDP cooperation specified during the first two years of the current Government.

23. The Government began its term in March 1995, after a period of structural reforms concentrated mainly in the macroeconomic sphere. Confirming its desire

to consolidate these reforms, the Government has concentrated its action on the approval of the necessary legislation to undertake other political, economic and social reforms designed to give the State the necessary efficiency and flexibility and provide society with the desired levels of development.

24. Once the legal framework for constitutional reform, reform of the social security system, educational reform and reform of the State has been approved, it will be necessary to proceed to the stage of implementation and consolidation. This offers the possibility of even further expanding UNDP activities.

25. The nature of the reforms, the proposed activities and the experience gained by UNDP make its cooperation particularly valuable, especially in areas in which its ability to support innovative proposals and coordinate and attract additional technical and financial resources, along with its neutrality, transparency, financial flexibility and efficiency in the acquisition of goods and services, facilitate the implementation of projects and the formulation and promotion of sustainable human development.

26. Since these comparative advantages of UNDP are recognized, it has been agreed that its cooperation in the period 1997-1999 should be concentrated in the areas indicated below:

A. Consolidation of the reforms and social integration processes to improve governance

27. In general, the improvement of governance tends to be identified with State reform and modernization. This cooperation framework is also aimed at making further progress in identifying and promoting management mechanisms through which, in a democratic context, these elements may be linked to the concept of sustainable human development promoted by UNDP.

28. To respond to the new challenges facing the country, the programme should be geared to deepening the reforms adopted by the Government and making them take root, with a view to the effective consolidation of democratic and equitable governance in its many aspects.

29. In terms of the political aspects of governance, in order to foster the consensuses needed to carry out reforms at the national and regional levels, UNDP should continue to support the efforts of the Office of the President of the Republic to consolidate the Montevideo Round and to define the country's participation in the Ibero-American Governance Network.

30. At the strictly national level, based on the support provided by UNDP in the preparatory stages of the State reforms, the cooperation framework proposes active participation by UNDP in the implementation of the technical cooperation components of the agreement concluded with the Inter-American Development Bank (IDB). The nature of this State project and its direct linkage with various divisions of the central administration will also make it possible to identify other specific actions to be carried out in collaboration with UNDP during the period under consideration.

31. At the same time, important projects will be carried out in the coming years to develop and modernize municipal management throughout the country, with support similar to that which UNDP provided for the execution of phase II of the project on municipal development. This will make it possible to determine strategic and complementary collaborative actions at the municipal level to link State reform with municipal reform and to contribute to the decentralization process.

32. The reform of the social security system is particularly important in terms of both State reform and its linkage with socio-economic policies. The financial support of IDB for this process includes a technical cooperation component that will continue to be supported by UNDP. Likewise, the population's favourable response to the mixed system of social security contributions and capitalization will make it necessary to reformulate the programme and its strategic linkage with other projects and components of social policy; it is expected that UNDP will provide ongoing support in this regard.

33. The goal of effective democratic governance requires not only an efficient and effective State apparatus; it also hinges directly on social integration and the population's level of human development. To that end, UNDP will continue to collaborate in promoting sustainable human development by reformulating policies and mechanisms for the provision of social services and elaborating a working methodology involving the establishment of mechanisms for dialogue.

34. In addition, taking advantage of its experience and its relationship with the specialized agencies of the United Nations system, UNDP will collaborate on projects that emphasize partnership between the public and private sectors in the social sphere, with a view to strengthening and interlinking various initiatives which may arise in the area of socio-economic issues, including gender issues, sustainable livelihoods and employment.

B. Support for the development of production with a view to enhancing competitiveness and effective integration into the regional and international markets

35. The objective in this area of concentration is to strengthen the development of production based on private initiative and increased competitiveness, within a framework of clear policies and practical support in strategic areas for the development of enterprises and their effective integration into the Southern Common Market (MERCOSUR) and the world market.

36. The importance of the production sectors for job creation cannot be underestimated. Accordingly, it is essential to promote their growth by providing the means necessary for their reconversion into competitive production and/or service units, as well as a regulatory framework that organizes and regulates existing initiatives in this area. This process must take Uruguay's comparative advantages into account, ensuring that initiatives are sustainable in terms of production and employment and according due attention to the need for sustainable lifestyles, to women's socio-economic participation and integration and to their incorporation into the labour market in conditions of equality.

37. This interest in promoting the reactivation of the production sector is closely related to the latter's capacity to generate jobs. In that area, support from UNDP and other bodies of the United Nations system will be important for the effective linkage of actions in the areas of industrial complementarity, labour-market reintegration, training and credit, especially those envisaged in the context of State reform and in the programmes of the Development Corporation and the National Employment Fund, in order to promote small- and medium-scale enterprises.

38. The dispersion of efforts also affects scientific and technological research, where progress must be more effectively linked to production sectors. Quality control as a strategic factor in the production sector is another area where coordination efforts can be intensified. It is necessary to adopt and put into practice quality control systems that reflect international standards, and to establish a body which would supervise quality certification at the national level and would be recognized internationally for that purpose. Based on its experience and on that of the other bodies of the United Nations system, UNDP can provide valuable support in this area by facilitating Uruguay's integration into international scientific and technological information networks; this would strengthen the consolidation and continuous updating of research processes and their capacity to respond to the demands of production sectors.

39. Lastly, at the subsectoral level, the Uruguayan authorities have a special interest in securing UNDP support for the development of the tourism sector, including the formulation of a high-quality plan for enterprises in the sector and training programmes on topics such as tourism at hot springs, eco-tourism and sightseeing.

C. Support for environmental protection

40. This area of concentration involves collaboration with UNDP in the execution of projects through which international commitments regarding biological diversity and climate change can continue to be met and specific actions can be carried out to conserve the country's biological resources and prevent environmental degradation. To that end, additional resources will again be sought through the Global Environment Facility, the Montreal Protocol, the Framework Convention on Climate Change and bilateral cooperation. Binational and multinational projects are also planned, which will make it possible not only to protect the environment but also to incorporate Uruguay effectively into the regional integration process on environmental issues.

41. In relation to the municipal modernization process, Uruguay plans to move ahead with the solid-waste collection and recycling project in the Montevideo Municipal Administration and to try to link it with similar actions in other jurisdictions, under phase III of the project on municipal development.

42. The effective implementation of this strategy, especially in areas directly linked to the State apparatus, requires that dialogue between the Budget and Planning Office and the bodies of the United Nations system be strengthened with respect to cooperation and that the latter support the formulation of strategic policies for mobilizing and coordinating international cooperation. This will

make it possible to maximize the impact of the financial and technical resources obtained through such cooperation and to strengthen the Government's sustainable development objectives by making full use of the comparative advantages of UNDP support.

IV. MANAGEMENT ARRANGEMENTS

A. Execution arrangements

43. The 1997-1999 cooperation programme will continue to give preference to national execution, which, in addition to strengthening national managerial capacity, has proved to be speedy and efficient.

44. This preference for national execution does not imply that no use will be made of the contributions of other development agents. On the contrary, cooperation will continue to be requested from other bodies of the United Nations system for the execution of components requiring the assistance of specialized agents.

B. Monitoring and evaluation

45. Based on the recommendations and experiences of UNDP cooperation during the fifth cycle, it is expected that more emphasis will be placed on factors that determine the quality of the programmes and projects to be carried out under this framework. To that end, the design of the projects will be strengthened to ensure that their technical level matches their complexity and that they have the resources needed to maximize their impact, as well as specific parameters and indicators to evaluate their progress and degree of implementation. These indicators will be determined case by case in accordance with the general guidelines agreed upon with UNDP during the preparation of this cooperation framework, and will be set forth in the respective documents.

46. The cooperation framework will be evaluated jointly by UNDP and the Government every year to detect any problems that may arise during its execution, to make the necessary adjustments and to confirm its relevance. The evaluations will take into account both effectiveness and efficiency in the use of resources and the technical and operational aspects and impact of the programme.

V. RESOURCE MOBILIZATION

47. The UNDP resources available for 1997-1999 are limited and will be insufficient to finance the entire programme envisaged; active collaboration to mobilize resources will therefore continue.

48. In the elaboration of the resource mobilization proposal for the period 1997-1999, account has been taken of activities for which financing is already available in the form of resources from UNDP, bodies of the United Nations system, the Government and/or other sources of financing, using the cost-sharing procedure.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR URUGUAY (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	255	
TRAC 1.1.1	758	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	200	
SPPD/STS	66	
Subtotal	1 279[a]	
NON-CORE FUNDS		
Government cost-sharing	35 000	
Sustainable development funds Montreal Protocol GEF	8 000 of which: 700 7 300	
Third-party cost-sharing	1 000	
Funds, trust funds and other		
Subtotal	44 000	
GRAND TOTAL	45 779[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.